

Saint Paul's Comprehensive Strategies for Urban Vitality

April 2, 2004

The past decade has seen the City develop and implement a comprehensive revitalization strategy that is paying off in strong, balanced, and sustained growth. This has fundamentally repositioned the City in the regional housing market and established it as a competitive player in the regional, national, and international economy. This revitalization strategy is anchored in a nationally-recognized *Development Framework*, guided by a new *Comprehensive Plan*, and fine-tuned by specific measures that include increased employment, tax base, and visitor spending. The goal of the revitalization strategy is to increase the quality of life and competitiveness of the City by strategically shaping powerful market forces that are now reinvesting in the inner city. Though it is contained in literally dozens of plans, policies, and programs, the City's revitalization initiatives can be summarized into the five interrelated strategies listed below.

1. Develop new housing and new neighborhoods.
2. Reconnect the City to the Mississippi River.
3. Concentrate scarce resources on development corridors.
4. Reposition the downtown in the regional marketplace.
5. Diversify the economy and grow good jobs.

In response to shifting economic circumstances and to the City's successes to date, the City is implementing these revitalization strategies in a new way. Unlike in the past, when funds for public subsidies were more readily available, the City now is consciously developing new public-private partnerships and investing limited public funding to leverage the vastly greater resources and creativity of the private sector. Because of this leverage, the City is setting its sights on projects that would have been unthinkable a decade ago. The impressive results of these revitalization strategies to date, and the exciting projects in the pipeline, are described more fully in the sections that follow.

Strategy 1 – Develop new housing and new neighborhoods: The City is capitalizing on market forces to serve the diverse needs of residents at all incomes and all stages of life. The City is developing entirely new neighborhoods as well as strengthening existing mixed-use urban villages in the downtown and along transit corridors.

- a. **Strategic public investments:** At the midpoint in the City's *Housing 5000 Program* (the four-year, \$1 billion plan to develop 5,000 units of new and rehabilitated housing), the City is more than halfway towards meeting its development, affordability, and investment goals:

The City's goal was to develop 2,500 housing units by the end of 2003, and it has closed on 2,784 units.

The City's goal was to see \$500 million in public and private funds invested, and the 2,784 units reflect a commitment of \$537 million.

The City's goal was to develop 500 units of the 2,500 as affordable housing, and 658 units of affordable housing are being built.

Key to this success has been the City's leveraging \$5 million a year in local funds, successfully competing for state grants (for remediating contamination and developing urban villages), and establishing the *Land Assembly Fund* to accelerate land assembly for *Housing 5000* projects moving through the pipeline.

- b. Leveraged investments:** In the two years ending December 31, 2003, the City also exceeded its 1-to-4 public-to-private leverage goal by leveraging almost \$438 million in private investment with a public investment of about \$99 million (a ratio of 1 to 4.4).

Some neighborhood projects, like the 122 units of ownership housing being developed in Railroad Island, are intended to leverage additional private investment by reintroducing ownership housing to a neighborhood from which it had all but disappeared.

Other neighborhood projects, like the 659 units of affordable rental, market rate ownership, and senior housing being developed in the Phalen Village Neighborhood, represent the completion of a decade-long revitalization process that has totally transformed an entire neighborhood, raising property values many blocks from the project area.

And others, like the 233 units being developed without any subsidy on scattered sites by the private sector, indicate the extent to which growing property values have helped the private real estate market rediscover the inner city.

About a third of the 2,784 units developed are in the downtown, in Class C or vacant office buildings converted into housing, on former parking lots, in the established Lowertown neighborhood, and in entirely new downtown neighborhoods like the North Quadrant and the Upper Landing. Of the 1,882 units developed in the neighborhoods, most are in large projects like Emerald Gardens (216 units), Gateway Village (572 units), Midtown University Village (291 units), and Riverbluff Homes (with the first 184 of 856 planned units financed).

- c. In the pipeline:** The *Housing 5000 Plan* also maps out a work plan for potential housing developments over the next two years, and City staff expect to again exceed their 2,216 unit goal. Many of these projects are already in the development pipeline:

Some are later phases of projects already mentioned. Others are additional residential conversions of downtown Class C

office space, like the Lowertown Business Center (119 units) and the Northwestern Building (58 units).

Others are new residential neighborhoods, like Lowertown Bluffs (182 units) between Lowertown and Mounds Park.

And others are in the conceptual stage, with significant feasibility work yet to be completed, like the very large *Bridges of Saint Paul* project proposed for the West Side Flats across from downtown.

Strategy 2 – Reconnect the City to the Mississippi River: The City is reestablishing its lost connections, between the Mississippi River and its downtown and, along its underutilized rail lines and river tributaries, between the Mississippi and other City neighborhoods.

- a. **Public investment in infrastructure:** To help guide public and leverage private investment, the City helped form the independent nonprofit *Saint Paul Riverfront Corporation* a decade ago. Every year the City contributes staff to fund one of its programs: the *Saint Paul on the Mississippi Design Center*, which directed the community process that created the award-winning *Saint Paul on the Mississippi Development Framework*. The past decade has witnessed six major public investments that have opened up enormous development opportunities on the downtown riverfront:

The floodwall on the West Side (\$21 million)

The Wabasha Street Bridge (\$35 million)

Harriet Island Regional Park (\$27 million)

The relocation and reconstruction of Shepard Road away from the river (\$42 million)

The investment of State grants to clean up contamination on various riverfront sites (\$14 million)

- b. **Leveraged investments:** Together, the City and the Riverfront Corporation have helped spark and guide almost \$500 million in public and private reinvestment in the last six years in several large projects on both sides of the downtown riverfront, much of it on formerly polluted land:

The Science Museum of Minnesota (\$100 million)

The RiverCentre convention center (\$77.5 million)

The Xcel Energy Center (\$175 million)

US Bancorp (\$74 million for 350,000 square feet of office space for 2,300 employees and a 1,150 space parking ramp)

The Upper Landing Urban Village (\$165 million for 600 new housing units developed by Centex)

- c. **In the pipeline:** Several projects are in the planning stages that could have a major impact on the downtown:

Across from downtown, a community planning process has been completed to guide redevelopment to reconnect the District del Sol neighborhood with the Mississippi.

On the West Side Flats the City is exploring the feasibility of a \$1 billion development proposal called *The Bridges of Saint Paul*, where a local developer has challenged the City to envision a downtown that grows on both sides of the river, with at least 2,000 units of housing and a million square feet of commercial space.

West of downtown at the foot of Randolph Street is the vacant Island Station Power Plant where an \$80 million project is planned (with 220 units of housing, some commercial space, and a 20-slip marina).

East of downtown, contamination cleanup will start this spring on the Bruce Vento Nature Sanctuary, and soon a regional pedestrian and bicycle trail system will link the North End and East Side neighborhoods with the Mississippi River.

Farther down the road, the City is finalizing the funding for building a \$25 million perimeter dike to protect Holman Field from periodic flooding and ensure the viability of this regional asset.

Strategy 3 – Concentrate scarce resources on development corridors: The City is concentrating its efforts on areas with the greatest need and opportunity by making strategic investments in remediating contaminated land and improving transportation infrastructure in areas left underutilized by changes in the economy and transportation system.

- a. Strategic public investments:** In the past decade the City and the Port Authority have developed long-term strategies for the integrated redevelopment of underutilized and contaminated railway, roadway, and river corridors. These include:

Underutilized rail corridors (like the Phalen and Great Northern Corridors)

Underutilized transit corridors (like the University Avenue and Riverview Corridors)

The underutilized river corridor

Individual “main streets” (like Payne Avenue, Selby Avenue, and the District del Sol)

One of the most significant City investments has been in planning and development staff time, since most of the corridors require planning for new roads or transitways, new commercial and industrial business centers, and in several cases entirely new residential communities. The City has aggressively (and successfully) pursued competitive transportation, development, and remediation grants from the state and federal governments.

And the City has made better use of existing infrastructure such as Ayd Mill Road, which it recently connected to Interstate 35E, providing better regional access to Saint Paul's Midway neighborhood and relieving congestion on Lexington and other arterials.

The most successful corridor revitalization effort has been in the Phalen Corridor, which in the past decade has become a national model of how integrated investments in transportation, contamination cleanup, economic development, and housing development can reposition an entire blighted corridor in the regional marketplace. With a comprehensive *Environmental Impact Statement* and a detailed corridor development strategy in hand, both ends of the Phalen Corridor have been redeveloped:

At Phalen Village at the east end, the City has invested in new roads and wetlands, the State has built the \$65 million Bureau of Criminal Apprehension Building, and the Public Housing Authority has invested \$15 million to renovate their Roosevelt Homes complex.

At Williams Hill at the west end of the Phalen Corridor, the City and the Port Authority have redeveloped a formerly contaminated slag heap into the Williams Hill Business Center, and the State has built a new bus repair facility for Metro Transit, bringing about 1,000 jobs to an area that used to have fewer than 50.

Last fall, the first quarter of Phalen Boulevard was completed and by this fall will be half done. It is the first major new road in Saint Paul in 20 years, representing \$60 million in local, state, and federal funding when finished.

- b. Leveraged investments:** These concentrated public investments have leveraged enormous private investment by making blighted and inaccessible land available for redevelopment. Much of this private investment is direct, in the form of the seven new business centers the Port Authority has developed and sold to advanced manufacturers in the past decade, where more than 500 acres of underutilized and contaminated land have been redeveloped into business centers employing about 2,700 people and generating about \$3.5 million in taxes every year.

But much of the private investment is indirect, in the form of new residential investment that is raising market values in neighborhoods suddenly relieved of the blighting influences in the corridor and made more accessible by the construction of new roads. This reinvestment is most striking in neighborhoods adjacent to the Phalen Corridor, where hundreds of new units of ownership and rental housing are being built, now that the waste

transfer stations and automobile junkyards have been removed. On commercial strips around the City, the City's *Small Business Expansion Program* is helping local businesses and banks invest in purchasing the buildings they are currently leasing. And in the downtown, the City's *Strategic Investment Fund* offers incentives for tenants to occupy vacant office space.

- c. **In the pipeline:** Planning continues on the University Avenue and Riverview Corridors, where the City is preparing “transit-oriented development” plans. These are intended both to anticipate future long-term state and federal investment in Light Rail Transit (LRT) and Bus Rapid Transit (BRT), and to increase short-term demand for such transit investments by encouraging denser mixed-use development at key nodes in the corridors. One result of the demonstrated success of the Phalen Corridor revitalization has been that the City has raised the bar for attracting the highest and best use to key development sites. At the vacant 15-acre former Metro Transit Bus Barn site at Interstate 94 and Snelling Avenue, the City is aggressively assembling land for a major corporate headquarters or a national retailer.

Strategy 4 – Reposition the downtown in the regional marketplace: The City is concentrating its marketing efforts on reinforcing the downtown as the office, cultural, and recreational capital of the east metro region.

- a. **Strategic public investments:** The City has adopted a *Downtown Development Strategy* which seeks to create a better balance among transit modes, to develop the downtown as the cultural capital of the metro area, and to integrate the downtown with the capitol campus. The past decade has seen significant City and State investment in the downtown including:

The \$350 million in public and private investment in the Science Museum, RiverCentre, and the Xcel Energy Center mentioned above

The City and the Port Authority have developed or expanded four public parking ramps with over 3,000 net new parking spaces to support office tenants and replace parking lost to residential development (the World Trade Center ramp, the Lawson ramp, Capitol City Plaza ramp, and the Jackson Street ramp).

The City and State helped finance the redevelopment of Ecolab Plaza to anchor this key global headquarters in the downtown.

The City installed decorative paving in the commercial and cultural core and built a \$10 million pedestrian tunnel to connect RiverCentre with downtown hotels and the skyway system.

The City financed development of the \$100 million Lawson Software Building and ramp, a calculated risk and strategic investment that was validated by the early purchase of that building by the Frauenshuh Corporation.

Several public festivals and private sporting events are bringing record numbers of visitors downtown, from the 500,000 drawn to the five-day *Taste of Minnesota Festival* at its new location on Harriet Island, to the more than 1 million visitors who came to see the various events of the Winter Carnival, the Ice Palace, and the NHL Hockey All Stars Game. This last event by itself injected over \$40 million into the local economy.

- b. Leveraged investments:** The strategic infrastructure investments described above have since 1998 leveraged well over \$1 billion in investment in the downtown by private businesses and nonprofit and government office tenants, increasing the downtown tax base, employment, and visitors. Some of the key investments include:

A recent study of the Xcel Energy Center (not including RiverCentre) estimated it attracted about 1.7 million visitors and pumped about \$247 million into the Twin Cities economy, of which about \$104 million was spent in Saint Paul. Total employment generated by Xcel Energy Center is about 2,730, of which 1,150 are at the Center itself, 600 of which are full time.

Private and nonprofit employers have invested about \$500 million, including firms like Ecolab, Minnesota Life, AT&T Broadband, Lawson Software, the Radisson Hotel, Wells Fargo Bank, Marshall Fields, Minnesota Public Radio, US Bancorp (which moved out of leased space downtown into their new building across the river), and the Saint Paul Companies.

Almost \$200 million has been invested by local hospitals like Regions, United, Children's, and related institutes like the world class John Nasseff Heart Hospital.

Reversing the trend of a decade ago when the State was threatening to move many of its facilities out of Saint Paul, more than \$300 million has been invested by the State in new office towers downtown and on the Capitol campus for agencies like the Departments of Revenue, Health, Agriculture, and Human Services.

Private developers have begun converting surplus Class C office space into housing (in buildings like the J.J. Hill Building, the Produce Exchange, the Strauss Building, the Workforce Center Building, and the Lowry Medical Building), which reduces vacancy and reinforces lease rates.

Though vacancy for competitive office space now is slightly higher than it was last year, much of this is because US Bank has moved its employees into a new \$75 million facility it owns across the river, home to some 2,400 employees. Overall there has been a net absorption of office space this last year.

A cultural and educational campus is developing at the north end of downtown, anchored by Minnesota Public Radio, the Music Tech Academy, and the Minnesota Business Academy.

A thriving hospitality and entertainment district has developed in the Seven Corners neighborhood to serve the record-breaking visitor traffic attracted to the Xcel Energy Center and RiverCentre complex.

- c. **In the pipeline:** Looking ahead to future downtown development, the City is clearly reaching higher than ever before:

As mentioned previously, the City is studying the feasibility of *The Bridges of Saint Paul* development proposal that would essentially extend the downtown to the other side of the river.

The City is in the early planning stages for redeveloping the riverfront offices being vacated by Ramsey County, which has already moved its jail to the new government center in Lafayette Park.

An agreement to relocate the U.S. Postal Service Regional Processing Center out of downtown appears to be within reach, opening up an entire corner of downtown to potential residential and commercial redevelopment in the next five to ten years and allowing the Union Depot to be re-established as a multi-modal transportation hub for light rail, commuter rail, and high-speed rail, as well as bus and bus rapid transit systems.

Building on the phenomenal success of the Minnesota Wild and the recent National Hockey League All Stars Game, the City is making a highly competitive bid to develop a new Twins Ballpark across from the Xcel Energy Center.

Regardless of what eventually happens with these proposals, the City is now competing in a different league than it was even three years ago. This will again be evident this summer when the 150th anniversary of the *Grand Excursion* is commemorated in a world-class celebration of the Mississippi River that is expected to draw at least 1.5 million visitors to downtown Saint Paul over the Fourth of July week. This will be the culmination of a celebration that extends over 400 miles, 54 communities, and 4 states for which Saint Paul has been the leader.

Strategy 5 – Grow good jobs and diversify the economy: The City is diversifying its economy by targeting established industry clusters (printing, computers,

insurance, medical devices, and precision machinery), emerging clusters (bioscience, health care, and universities), and encouraging the growth of businesses owned by women, minorities, disabled, and disadvantaged entrepreneurs.

- a. Strategic public investments:** Over the past decade, the City and the Port Authority have made significant investments to retain and grow some of the City's key employers:

The City took the first step by financing the development of the Lawson Software office building, anchoring the information sector in the City, a sector State labor analysts expect to grow significantly in the next decade.

With City assistance, Marshall Fields completed a \$22 million renovation of its store, anchoring the retail core on Wabasha Avenue.

Together the City and State invested \$1 million to help Ecolab, which a decade ago was considering consolidating its global headquarters in North Carolina, to expand into another office tower and renovate Ecolab Plaza, which has become a vibrant downtown gathering place.

With City assistance, Minnesota Public Radio, which had outgrown its downtown building, will soon start a \$46 million project to expand into the building next door.

To kick-start the Bioscience Corridor last year, the City purchased a vacant building in the Westgate area for \$7 million as part its partnership with the University of Minnesota.

To extend economic growth to the minority community, which has doubled in the past decade, the City is continuing to invest in programs intended by maximize participation of minorities in existing loan programs, in city contracts, and in the development and homeownership opportunities made available by the *Housing 5000 Program*.

- b. Leveraged investments:** One indication of its diverse economy is that of the three major employment centers in the metro area (Saint Paul, Minneapolis, and Bloomington), Saint Paul lost the least number of jobs during the recent recession, dropping only 2.3% between 2000 and 2002, as compared to Minneapolis, which dropped 3.8% and Bloomington, which dropped 12.2%. Even better news is that between the first and second quarters in 2003, Saint Paul's employment grew 2.6% as compared to Minneapolis and Bloomington, which each grew only 0.6%. Over the long term, the diversification of Saint Paul's economy means that it loses fewer jobs during recessionary periods, and grows more of them when the economy recovers, the details of which can be seen elsewhere in this report. This evening-out of employment

better insulates the City's economy from the inevitable recessions of the business cycle.

The diversity of the City's economy can be seen in many sectors:

The health services sector is a key and growing City employer, and in the past four years, United Hospital, Children's Hospital, and Regions Hospital, and their associated clinics, have invested over \$329 million in buildings and added over 800 jobs to the existing base of 3,000 medical workers.

The Twin City Ford Assembly Plant has been designated the "Lead Plant" for the Ford Ranger, and the company has completed a \$500 thousand building addition for the engineers who will be fundamentally redesigning it. Recently Ford renewed its permit to operate the hydroelectric plant on the Mississippi River, which produces the inexpensive power which gives the assembly plant a key competitive advantage.

The Port Authority reports great demand for its industrial space, and the sites in Westminster Junction, its most recent business center, are almost completely sold.

Minnesota Mutual and the Saint Paul Companies have each built new \$100 million plus office buildings, and the recent acquisition of the Travelers Insurance Company by the Saint Paul Company, which is now the nation's second largest commercial insurer, appears to anchor its future in its namesake city.

Colleges and universities located within the City continue to grow. The University of St. Thomas alone in the midst of a \$74 million expansion over the next decade or so.

- c. **In the pipeline:** Last year the State designated an area near the University of Minnesota Saint Paul campus as a *Bioscience Zone*, making bioscience enterprises there eligible for tax and other incentives. To position the City to better compete for high value bioscience jobs, it has partnered with the University of Minnesota's *University Enterprise Laboratories*, which will manage the bioscience incubator the City owns to grow firms coming out of the University with proprietary bioscience technologies. It is estimated that each 500,000 square feet of space developed for bioscience enterprises will generate 1,100 new jobs with an average salary of \$60,000 a year, and new real estate taxes of \$750,000 a year. The City is also positioning itself to secure another key employer by relocating its Public Safety building to Lafayette Park, thereby making another key site available for redevelopment of residential, commercial, or institutional uses.